



March 8, 2010

Ms. Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

***Re: Proposed Regulation 12 CFR Part 704***

Dear Ms. Rupp:

Northeast Family Federal Credit Union welcomes the opportunity to respond to the proposed corporate regulations. We believe that regulatory changes are needed to restore confidence and control risk and we appreciate NCUA's efforts. Overall, however, the rule as proposed controls risks to the point that a corporate credit union business model may not work. We would like to see a final regulation that balances properly managed risk with a model that would support payments systems, liquidity, settlement and investments.

**The Value of our Corporate Credit Union**

Northeast Family Federal Credit Union has been a capitalized member of Constitution Corporate FCU since its founding 30 years ago. Constitution has been a valued partner that provides an all-in-one solution for payments systems, settlement, liquidity and investment needs. We are concerned that alternatives, for example working directly with the Federal reserve for payments systems, will require more staff or operational costs. Our core competency is serving our members; our core competency is not having a back office payments operation. We count on Constitution to provide back office processing for us.

**Legacy Assets**

We understand that NCUA is developing a solution for the legacy assets that corporates currently hold. We find it difficult to consider recapitalizing a corporate credit union unless and until the legacy assets are resolved.

**Right to Recovery**

Constitution Corporate depleted all of Northeast Family Federal Credit Union's capital. We would like to see some ability to recover our lost capital if losses do not materialize.

**Capital Requirements and Time to Comply**

We understand that the corporate credit union system will need to build new capital and we believe the BASEL I risk-based approach is appropriate. However, the one-year timeframe for building capital to 4% is not achievable. Member credit unions will want to see positive

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performance results before committing to recapitalize. The process of building capital through retained earnings and capital contributions from member credit unions will take more than one year.

### **Operating Model Concerns**

The proposed Rule presents an analysis to demonstrate that corporate credit unions can meet the various capital, retained earnings, investment and ALM requirements under the proposed new rule. After review of the assumptions included in the analysis, there are concerns as to whether the rule allows sufficient flexibility to support an operating model.

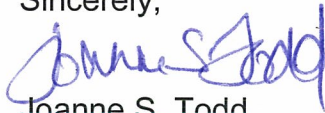
### **Governance/ Representation**

The proposed Rule limits board director's service to no more than six consecutive years. We appreciate the value of term limits; however they should be longer – at least nine years. Corporate credit unions are complex operations and boards need experienced members. With a limit of six years, the average tenure would be only three years, too short a time for the learning curve needed to be an experienced contributor to the organization.

### **Conclusion**

Thank you for allowing Northeast Family Federal Credit Union to voice our concerns about the proposed rule. We want to see a corporate credit union business model that is safe and sound and can succeed. We are worried about the consequences to the credit union movement of failure.

Sincerely,



Joanne S. Todd  
President/CEO